

STAPLETON FILING #2
TOWNHOME ASSOCIATION

FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2013 and 2012

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FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2013 and 2012

L.R. COMPTON II, LLC
CERTIFIED PUBLIC ACCOUNTANTS
3595 SOUTH TELLER STREET, SUITE 402
LAKEWOOD, COLORADO 80235

STAPLETON FILING #2 TOWNHOME ASSOCIATION

DECEMBER 31, 2013 and 2012

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L.R. COMPTON II, LLC

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Stapleton Filing #2 Townhome Association
Denver, Colorado

We have audited the accompanying financial statements of Stapleton Filing #2 Townhome Association, which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of revenue, expenditures and changes in fund balances and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stapleton Filing #2 Townhome Association as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lakewood, Colorado
March 25, 2014

A handwritten signature in blue ink, appearing to be 'L. Compton', is located to the right of the date.

STAPLETON FILING #2
TOWNHOME ASSOCIATION
BALANCE SHEETS

	DECEMBER 31,			
	2013			2012
	Operating Fund	Replacement Fund	Total	Total
ASSETS				
Cash	\$ 7,453	\$ 42,016	\$ 49,469	\$ 137,710
Certificates of Deposit	-	276,635	276,635	75,324
Assessments Receivable, Net	1,514	-	1,514	745
Accrued Interest Receivable	-	555	555	281
Mortgage Bonds	-	33,593	33,593	44,707
Prepaid Items	9,197	-	9,197	7,065
Interfund Balances	-	-	-	-
TOTAL ASSETS	\$ 18,164	\$ 352,799	\$ 370,963	\$ 265,832
LIABILITIES and FUND BALANCES				
LIABILITIES				
Accounts Payable and				
Accrued Liabilities	\$ 448	\$ -	\$ 448	\$ 2,742
Deferred Assessments	10,948	-	10,948	13,215
<i>Total Liabilities</i>	11,396	-	11,396	15,957
FUND BALANCES				
Operating Fund (Deficit)	6,768	-	6,768	(515)
Replacement Fund	-	352,799	352,799	250,390
<i>Total Fund Balances</i>	6,768	352,799	359,567	249,875
TOTAL LIABILITIES and				
FUND BALANCES	\$ 18,164	\$ 352,799	\$ 370,963	\$ 265,832

See Notes to Financial Statements

STAPLETON FILING #2
TOWNHOME ASSOCIATION
 STATEMENTS of REVENUE, EXPENDITURES
 and CHANGE in the FUND BALANCES

	YEARS ENDED DECEMBER 31,			
	2013			2012
	Operating Fund	Replacement Fund	Total	Total
REVENUE				
Assessments	\$ 119,194	\$ 104,246	\$ 223,440	\$ 205,800
Other Member Income	350	-	350	340
Interest	-	4,985	4,985	2,537
Realized Gain <Loss> on Investments	-	(3,640)	(3,640)	-
Total Revenue	<u>119,544</u>	<u>105,591</u>	<u>225,135</u>	<u>208,677</u>
EXPENDITURES				
Maintenance				
Building	27,184	-	27,184	6,309
Grounds	21,877	-	21,877	18,234
Snow Removal	<u>9,540</u>	<u>-</u>	<u>9,540</u>	<u>9,756</u>
Total Maintenance	<u>58,601</u>	<u>-</u>	<u>58,601</u>	<u>34,299</u>
Operating				
Utilities	<u>4,740</u>	<u>-</u>	<u>4,740</u>	<u>5,729</u>
Total Operating	<u>4,740</u>	<u>-</u>	<u>4,740</u>	<u>5,729</u>
Replacement Projects	-	-	-	30,651
Administrative				
Bad Debts	-	-	-	558
Insurance	26,859	-	26,859	24,063
Management Fees	16,800	-	16,800	16,200
Office and Communications	2,526	-	2,526	2,740
Professional Fees	<u>2,735</u>	<u>-</u>	<u>2,735</u>	<u>2,963</u>
Total Administrative	<u>48,920</u>	<u>-</u>	<u>48,920</u>	<u>77,175</u>
Total Expenditures	<u>112,261</u>	<u>-</u>	<u>112,261</u>	<u>117,203</u>
EXCESS of REVENUE OVER EXPENDITURES	7,283	105,591	112,874	91,474
Unrealized Gain (Loss) on Investments	-	(3,182)	(3,182)	-
Fund Balances, Beginning of Year (Deficit)	<u>(515)</u>	<u>250,390</u>	<u>249,875</u>	<u>158,401</u>
FUND BALANCES, End of Year	\$ <u>6,768</u>	\$ <u>352,799</u>	\$ <u>359,567</u>	\$ <u>249,875</u>

See Notes to Financial Statements

STAPLETON FILING #2
TOWNHOME ASSOCIATION
STATEMENTS of CASH FLOWS

	YEARS ENDED DECEMBER 31,			
	2013			2012
	Operating Fund	Replacement Fund	Total	Total
<i>CASH PROVIDED (USED) by OPERATING ACTIVITIES:</i>				
Excess of Revenue Over Expenditures	\$ 7,283	\$ 105,591	\$ 112,874	\$ 91,474
<i>Adjustments to Reconcile Excess (Deficit) of Revenue over Expenditures to Net Cash Provided (Used) by Operating Activities</i>				
Assessments Receivable, Net	(769)	-	(769)	1,519
Accrued Interest Receivable	-	(274)	(274)	16
Prepaid Items	(2,132)	-	(2,132)	(1,010)
Accounts Payable and Accrued Liabilities	(2,294)	-	(2,294)	(1,080)
Deferred Assessments	<u>(2,267)</u>	<u>-</u>	<u>(2,267)</u>	<u>5,121</u>
<i>Total Cash Provided (Used) by Operating Activities</i>	(179)	105,317	105,138	96,040
<i>CASH PROVIDED (USED) by INVESTING ACTIVITIES:</i>				
Certificates of Deposit	-	(201,311)	(201,311)	(24,908)
Mortgage Bonds	-	11,114	11,114	-
Unrealized Gain (Loss) on Investments	<u>-</u>	<u>(3,182)</u>	<u>(3,182)</u>	<u>-</u>
<i>Total Cash Provided (Used) by Investing Activities</i>	<u>-</u>	<u>(193,379)</u>	<u>(193,379)</u>	<u>(24,908)</u>
<i>NET INCREASE (DECREASE) in CASH</i>	(179)	(88,062)	(88,241)	71,132
Cash, Beginning of Year	<u>7,632</u>	<u>130,078</u>	<u>137,710</u>	<u>66,578</u>
<i>CASH, End of Year</i>	<u>\$ 7,453</u>	<u>\$ 42,016</u>	<u>\$ 49,469</u>	<u>\$ 137,710</u>
Supplemental Disclosures				
Income Taxes Paid	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Interest Paid	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

See Notes to Financial Statements

STAPLETON FILING #2 TOWNHOME ASSOCIATION

NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012

HISTORY and SIGNIFICANT ACCOUNTING POLICIES

History

Stapleton Filing #2 Townhome Association (the Association) was incorporated as a Colorado Nonprofit Corporation on June 4, 2002 to manage, maintain and preserve the common area for the benefit of the owners of the ninety-eight (98) townhomes in the development. Each townhome is a member of the Stapleton Filing #2 Townhome Association and the three person volunteer Board of Directors of the Association is made up of owners of member townhomes.

The Association is the owner, by grant from the developer, of the common area. The Association is charged with the administration (including management, security and professional services), maintenance, operation, repair and replacements within the common area as well as for the costs of insurance, real estate taxes and assessments, water, electricity and other necessary utility expenses for the common area. Stapleton Filing #2 Townhome Association may acquire, use and maintain personal property in connection with its operation and/or administration of the common area.

To accomplish the foregoing, Stapleton Filing #2 Townhome Association may charge and collect a common assessment to/from each townhome (which may have one or more owners). Additionally, the Association may designate part of the annual charge as an assessment for a Replacement Fund to provide for future major maintenance and replacement projects within the common area.

The Association charged each original owner an amount of \$130 at the time of purchase to provide a Working Capital Fund. This Working Capital assessment shall not be refunded to a selling owner, but the Association will provide the selling owner proof of payment in order that the purchasing owner may include that amount in the purchase price.

Significant Accounting Policies

Method of Accounting

The financial statements of Stapleton Filing #2 Townhome Association are prepared on the accrual basis of accounting including the use of fund accounting for the Operating Fund and the Replacement Fund.

Certificates of Deposit

As of December 31, 2013, the portfolio of the replacement fund consists of eight certificates of deposit. Maturity dates range from April 2014 to April 2020 with interest rates ranging from 0.550% to 4.900%. At December 31, 2012, there were three certificates of deposit. Maturity dates were either March 2013 or June 2014 with interest rates ranging from 0.400% to 1.311%.

STAPLETON FILING #2 TOWNHOME ASSOCIATION

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2013 and 2012

(Continued)

Significant Accounting Policies (Continued)

Assessments Receivable

The accounts receivable arise from owner assessments, late payment fees and other member charges and are, in management's opinion, collectible in full. The Association has various legal remedies to help ensure total collection of assessments and late fees as well as other owner charges; However, due to the time and cost of collections, some owner receivables may not be collectable in full. At December 31, 2013 and 2012, \$0 has been established as an allowance for uncollectible accounts.

Prepaid Items

The Association may pay its annual insurance premium when billed and may also fund other expenses in advance of actual use. Expenses associated with future periods are classified and recorded as prepaid items and expensed in the appropriate accounting periods.

Interfund Balances

At various times, the Operating Fund and the Replacement Fund may not have completed cash transfers between funds. Cash to be transferred from one fund to the other, if any, is recorded as interfund balances from one fund to the other.

Deferred Assessments

Stapleton Filing #2 Townhome Association may collect assessments levied for future periods in advance of the period due. Such advance payments are recognized in the accounting period when earned.

Replacement Fund

The Association, through its Board, has restricted the use of a portion of the annual assessment to a Replacement Fund. This fund is designated to provide the estimated cash in the future to maintain and/or replace common area property/equipment. The Board received a new reserve expenditure plan on November 12, 2010. Should the funds required for major maintenance or replacement projects in the future be inadequate, the Board of Directors has the right, subject to certain membership approval requirements, to levy a special assessment, increase the annual assessment or delay the project until the funds are available.

Fair Value of Financial Instruments

The carrying value of cash, short-term receivables, short-term payables and long-term debt approximate their fair value at December 31, 2013 and 2012. The fair value of debt is estimated based upon current interest rates for obligations with similar terms and maturities.

Reclassifications

Certain accounts presented in the December 31, 2012 financial statements have been reclassified to conform to the presentation at December 31, 2013.

STAPLETON FILING #2 TOWNHOME ASSOCIATION

NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2013 and 2012
(Continued)

Significant Accounting Policies (Continued)

Concentration of Credit Risk

Financial instruments that potentially subject the Association to concentrations of credit risk consist principally of temporary cash balances. Stapleton Filing #2 Townhome Association maintains its cash balances in both national banks and with investment firms.

The Federal Deposit Insurance Corporation provides up to \$250,000 of insurance at December 31, 2013 and 2012, for interest earning balances in national banks. Demand deposits are insured by the FDIC in the amount of \$250,000 at December 31, 2013 and unlimited amounts at December 31, 2012. Investment firms provide insurance for the balances in their accounts. Based on the FDIC limits at December 31, 2013 and 2012, the Association has \$-0- in uninsured deposits.

Income Taxes

Although Stapleton Filing #2 Townhome Association is a nonprofit corporation under Colorado statutes, it is responsible for federal and state income taxes on any earnings from interest, dividends or other income not derived from its membership. In 2013 and 2012, the Association elected to file standard corporate tax returns (Forms 1120 and 112) with no income taxes due.

Any excess or shortfall of revenue over expenses in member operations of the Association may be carried forward to offset future excesses or shortfalls for income tax purposes with no time limit. At December 31, 2013 and 2012, the Association has a loss carryforward of \$21,948 and \$34,469, respectively, to offset future excess member revenue.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Contingencies

The Association may be a party to various legal actions normally associated with homeowner's associations, such as the collection of delinquent accounts and owner compliance with the covenants, the aggregate effect of which, in management's opinion, would not be material to the future financial condition of the Association.

STAPLETON FILING #2
TOWNHOME ASSOCIATION

NOTES to FINANCIAL STATEMENTS

DECEMBER 31, 2013 and 2012

(Continued)

3. Replacement Projects

The Board of the Association plans the Replacement Fund expenditures each year depending on the 2010 "Reserve Study", and on owners' reports of physical conditions. During the years covered herein, the following projects were undertaken and completed by the Replacement Fund:

Project Description	<u>Years Ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Exterior Refurbishing	\$ -	\$ 22,651
Landscaping	<u>-</u>	<u>8,000</u>
Total Property Fund Expenditures	<u>\$ -</u>	<u>\$ 30,651</u>

4. Subsequent Events

In preparing these financial statements, Stapleton Filing #2 Townhome Association has evaluated events and transactions for potential recognition or disclosure through March 25, 2014, the date the financial statements were issued.

STAPLETON FILING #2
TOWNHOME ASSOCIATION

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2013

L. R. COMPTON II, LLC
Certified Public Accountants

***Independent Auditor's Report on
Supplementary Information***

Members of the Board of Directors
Stapleton Filing #2 Townhome Association
Denver, Colorado

We have audited the financial statements of Stapleton Filing #2 Townhome Association as of and for the year ended December 31, 2013, and our report thereon dated March 25, 2014, which expressed an unmodified opinion on those financial statements, appears on page 1 and 2. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The *Schedule of Revenue and Expenditures versus Budget, Operating Fund* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Association's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information, except for that column marked "Not Audited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Schedule of Future Major Repairs and Replacements*, which is the responsibility of the Association's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

March 25, 2014



STAPLETON FILING #2
TOWNHOME ASSOCIATION
 SCHEDULE of REVENUE and EXPENDITURES
 VERSUS BUDGET, OPERATING FUND
 YEAR ENDED DECEMBER 31, 2013

Certain accounts from the 2013 internally prepared budget have been combined and appear in the following schedule in summary form to conform to the financial statement presentation herein. Amounts in () represent collections in excess of the 2013 budget or expenditures in excess of the 2013 budgeted amounts forecast by the Board when adopted in 2012.

	<u>Actual</u>	<u>Budget (Not Audited)</u>	<u>(Over)/Under Budget</u>
REVENUE			
Assessments	\$ 223,440	\$ 223,440	\$ -
Other Member Income	<u>350</u>	<u>700</u>	<u>350</u>
Total Revenue	223,790	224,140	350
EXPENDITURES			
Maintenance			
Building	27,184	26,500	(684)
Grounds	21,877	21,224	(653)
Snow Removal	9,540	14,000	4,460
Operating			
Transfer to			
Replacement Fund	104,246	104,246	-
Utilities	4,740	6,220	1,480
Administrative			
Bad Debts	-	1,000	1,000
Income Taxes	-	200	200
Insurance	26,859	27,000	141
Management Fees	16,800	16,800	-
Office and			
Communications	2,526	3,050	524
Professional Fees	<u>2,735</u>	<u>3,900</u>	<u>1,165</u>
Total Expenditures	<u>216,507</u>	<u>224,140</u>	<u>7,633</u>
EXCESS of REVENUE OVER EXPENDITURES	\$ <u><u>7,283</u></u>	\$ <u><u>-</u></u>	\$ <u><u>7,283</u></u>

STAPLETON FILING #2
TOWNHOME ASSOCIATION

SCHEDULE OF FUTURE MAJOR
REPAIRS and REPLACEMENTS
DECEMBER 31, 2013
(Unaudited)

The Association's Board of Directors commissioned a study in 2010 to estimate the remaining useful lives and replacement costs of the components of the Association's common property. The study was prepared by an independent building consultant who inspected the common areas of the property. Costs were based on estimates, including 4.5% inflation, offset by after tax 3.00% earnings, to repair or replace the common property components at the date of the study. Estimated costs have not been revised since that date.

The following table is based on the 2010 study and presents summarized information about the components, estimated lives and costs of common property:

<u>Components</u>	<u>2010 Estimated Remaining Useful Life in Years</u>	<u>2010 Estimated Current Replacement Cost</u>
Building		
Roofs	10 to 21	\$ 627,600
Concrete	3	11,000
Fencing	9 to 16	121,200
Grounds	2 to 4	11,000
Siding and Trim		
Paint	0 to 4	165,350
Replacement	0 to 16	<u>126,500</u>
TOTAL		<u>\$ 1,062,650</u>